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THE **DELTEC**

BANKING CORPORATION LIMITED

ANNUAL REPORT 1969

THE DELTEC BANKING CORPORATION LIMITED ANNUAL REPORT 1969

DELTEC HOUSE, CUMBERLAND AND MARLBOROUGH STREETS

P.M.B. 29, NASSAU, BAHAMAS

Cable: PANDELTEC

Tel.: 2-8733

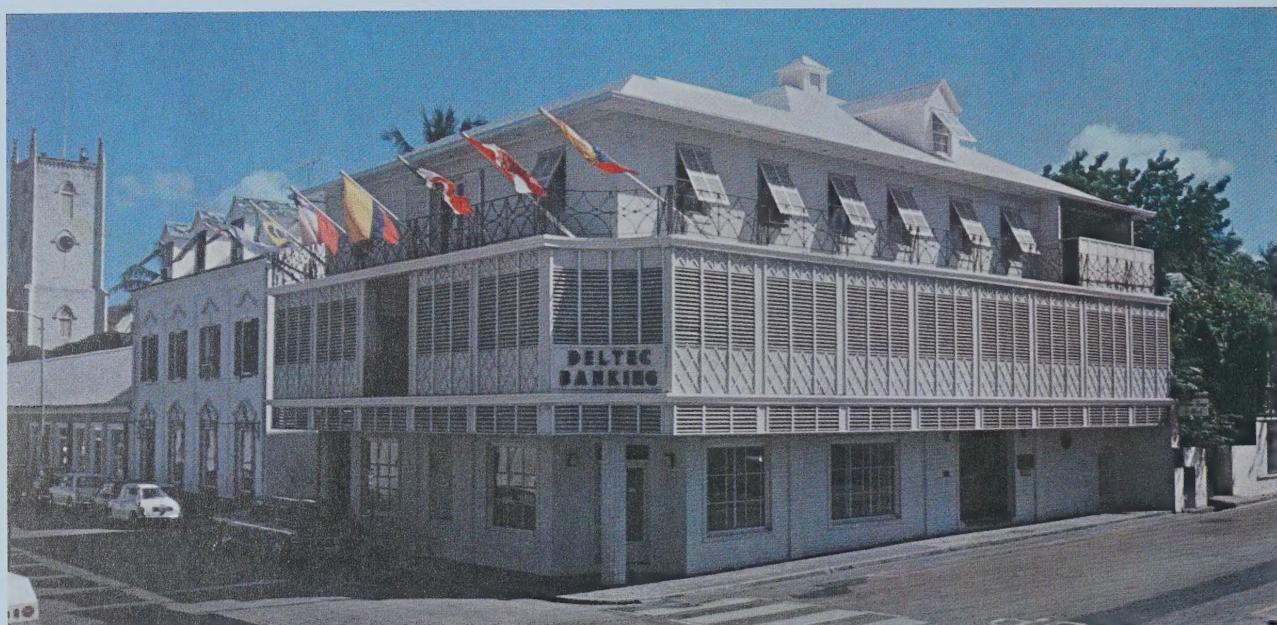
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Dollar amounts throughout this report are expressed in U.S. currency.

THE DELTEC BANKING CORPORATION LIMITED



Deltec House, Cumberland and Marlborough Streets, Nassau, Bahamas.

The Deltec Banking Corporation Limited is engaged primarily in supplying short to medium-term hard currency financing, primarily in Latin America and, gradually, in Europe and the United States. Other activities include trading securities, investment advisory and trust services and international investment banking in general. Headquarters are located in Deltec House, which is pictured above. The Deltec Banking Corporation Limited is the cornerstone of the financial activities of Deltec International Limited, its parent company.

This is the first year in which Deltec Banking has published a separate annual report. This is occasioned by our desire to explain in some detail the nature and scope of our activities and to present the financial condition of Deltec Banking and its subsidiaries to the banks, institutions, corporations and individuals with whom we do business.

The year under review has not been an auspicious one for international finance. Record interest rate levels in our traditional markets have reduced profit margins, while the cost of carrying the Bank's inventory of debt securities has risen substantially, thereby decreasing the traditionally profitable interest differential. Currency uncertainties which prevailed throughout the year also contributed to a change in

the traditional pattern of international financings and, for the first time, loans in other currencies surpassed those in dollars. Of the financings made by Deltec Banking, 39% were denominated in Deutsche Marks, 9% in Swiss Francs, 5% in Mexican pesos and 47% in U.S. dollars. While the situation appears to have defined itself recently, Deltec will continue to maintain its flexibility in providing its clients with the type of debt instruments they seek, with particular consideration to term and currency.

FINANCINGS

During the year, Deltec Banking made hard currency loans aggregating a record \$153,331,000. This represents an increase of almost 20% over the previous year, bringing the total financing provided since its founding to over \$700 million.

While South America and Mexico continue to be the focal points for the Bank's lending activity, substantial financings in 1969 involved the Dominican Republic, the Republic of Panama, the Kingdom of Greece and the United States. Deltec expects that these areas will be increasingly important to its business.

The most encouraging event during the year was an increase of over 350% in the volume of

financings in Brazil. This is not only a reflection of the economic potential of that country, but more importantly a testimony to the imagination and efforts of our partners, Banco de Investimento do Brasil. Of a total of almost \$50 million, \$17 million represented financings to certain states for the purpose of road construction, \$10 million was a loan to the Banco do Brasil in connection with a housing project undertaken by the Ministry of the Army and the bulk of the balance were loans to investment or commercial banks under Resolution 63 of the Central Bank.

Financings in Venezuela more than doubled and several important new clients are represented. In Colombia likewise, substantial progress was made. Although volume in Mexico declined slightly, it is encouraging to note that over 80% of total financings were made in the private sector. This is a substantially greater percentage than the year before. As a result of the loss of a major client in Argentina, the level of financings in that country decreased substantially. We are confident, nevertheless, that improving economic conditions and certain organizational changes already effected or contemplated will result in our doing substantially more business in Argentina. Conditions in Peru in 1969 have not been propitious for hard currency financing.

HARD CURRENCY LOANS BY RECIPIENT COUNTRY

	1969	1968	1967	1966
Argentina	\$ 4,322,000	\$ 51,699,000	\$ 27,597,000	\$ 19,078,000
Brazil	49,887,000	11,673,000	5,100,000	36,883,000
Colombia	5,079,000	3,446,000	19,126,000	2,955,000
Dominican Republic	3,524,000	180,000	—	—
Kingdom of Greece	7,500,000	—	—	—
Mexico	40,059,000	46,120,000	21,629,000	10,975,000
Panama	15,000,000	—	—	—
Peru	795,000	3,401,000	11,534,000	14,992,000
United States	3,139,000	—	—	—
Venezuela	24,026,000	11,612,000	7,564,000	7,838,000
Other	—	856,000	3,471,000	3,556,000
Totals	\$153,331,000	\$128,987,000	\$96,021,000	\$96,277,000

PLACEMENT

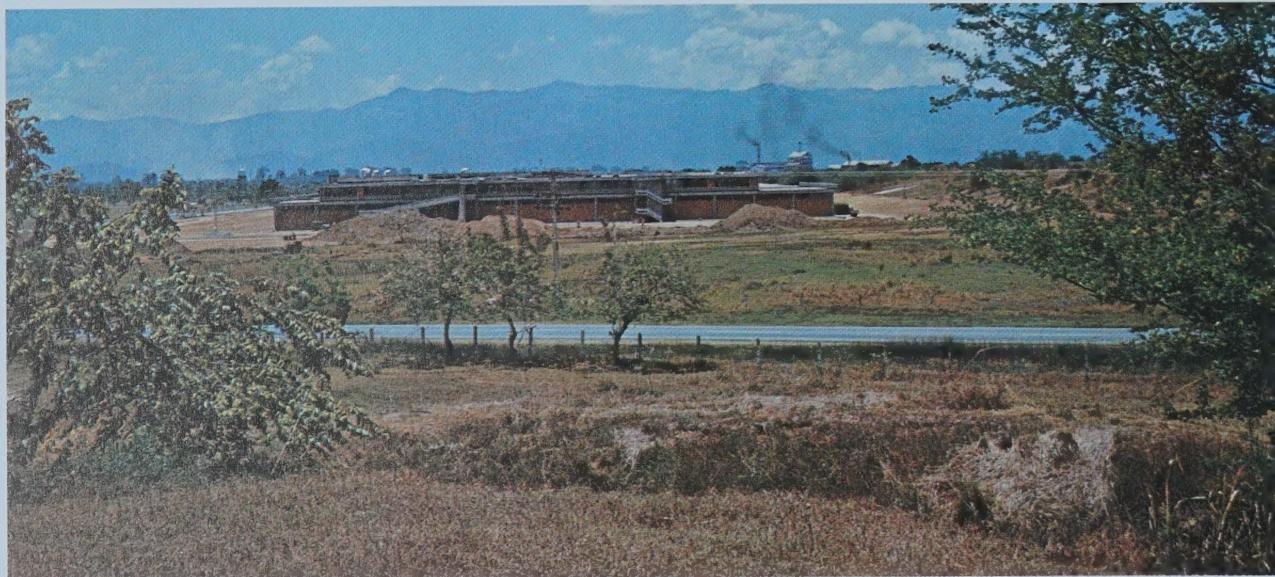
During the year, Deltec Banking, directly or through its affiliates, whose activities are discussed below, placed paper evidencing hard currency loans, generated by its Latin American offices and associates, amounting to a record total of \$161 million. Of these placements, 48% were in Europe, 36% in the United States and 16% in the Bahamas and Latin America.

It is the policy of Deltec to contract loans for its own account and, subsequently, to place the paper evidencing these loans with institutional and other investors in the international capital markets. This makes it possible for Deltec to extend loans amounting to many times its capital.



Construction work and a completed section of the Morón-Coro Highway in northern Venezuela, financed in part by Deltec Banking through a loan to Concave C.A., one of the major contractors.





Expansion program of Fábrica de Dulces Colombina Ltda. in Colombia included this new candy plant. The program was financed in part by Deltec Banking.

HARD CURRENCY PLACEMENTS BY AREA OF PLACEMENT

	1969	1968	1967	1966
Europe	\$ 77,348,000	\$ 91,808,000	\$ 54,226,000	\$ 29,803,000
North America	57,961,000	29,999,000	31,424,000	34,220,000
Latin America	3,687,000	4,453,000	4,415,000	4,679,000
Bahamas and Other Areas	22,571,000	14,012,000	18,371,000	11,549,000
Totals	\$161,567,000	\$140,272,000	\$108,436,000	\$80,251,000

INVESTMENT AND TRADING

Investment and trading in securities traditionally has been an important activity of Deltec Banking and has made a significant, though variable, contribution to its earnings. A portfolio of stocks and bonds, mostly of U.S. corporations, is carried at all times and is divided between investment and trading positions.

This department has access to the advice and assistance of Deltec Securities Corporation, its U.S. affiliate, and its investment banking connections in Wall Street. Their advice in turn

is utilized in connection with the activities of Deltec Trust which is described in some detail below.

The trading of Eurodollar bonds through Deltec Trading Company Limited is an additional and important activity of the Group. Further reference to this is made later in this report.

In other specialized fields, Deltec Banking does an active arbitrage business, either between parallel security markets or in connection with mergers and acquisitions. It deals and invests in Latin American bonds in hard currencies trading in New York or in Europe. It also handles an ever increasing volume of orders from foreign investors who buy or sell equities in various Latin American countries, particularly in Mexico and Argentina.

Deltec Banking also acts as investment advisor to a Luxembourg closed-end fund, Société d'Investissement "Le Fonds Deltec pour l'Amérique Latine". This fund is the only existing vehicle for diversified participation in Latin American securities by smaller investors. Its record, which dates back to 1961, proves that one can successfully invest in Latin American securities, even through difficult times, and not only preserve hard currency values but achieve a highly satisfactory return, which would compare well with the long term results accomplished by mutual funds in any other part of the world. The fund currently has net assets of four

million dollars, of which 75% is invested in equities and the balance in high yielding fixed income securities.

UNITED STATES OF AMERICA

Deltec Securities Corporation, a wholly-owned subsidiary of Deltec International, with offices in New York, is involved in three principal types of business:

- Placement in the U.S. of Deltec Banking generated loans
- Trading in U.S. securities
- Investment banking services, involving both the United States and Latin America

In addition, Deltec Securities provides ancillary services for members of the Group, the most important being the clearing of most of Deltec's Eurodollar bond trades.

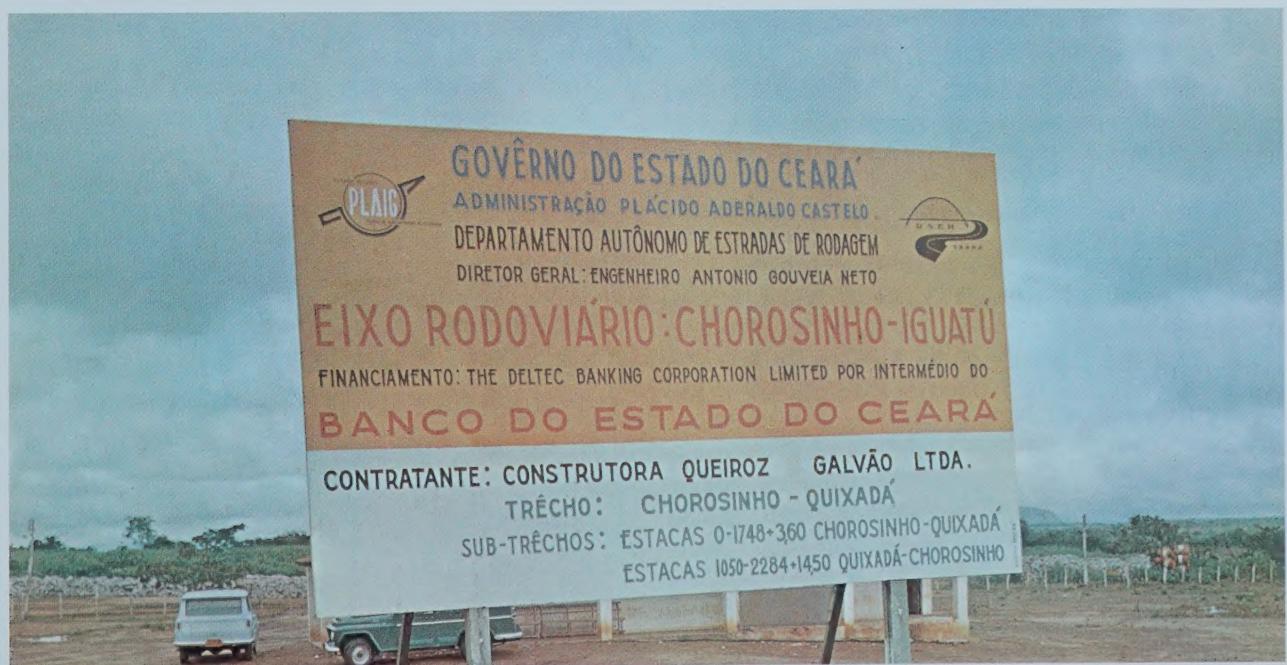
Placement of Deltec's generated paper effected during the year almost doubled to approximately \$58 million. This can be attributed to a constantly expanding clientele and increased acceptance of Latin American obligations throughout the United States.

Deltec Securities should be a focal point for United States activity involving Latin America. Through its affiliates in the area, it is capable of assisting a U.S. company in finding a local partner, in selling shares to the public, or in arranging financing in any major Latin American country. Deltec Securities is also prepared to arrange the financing of exports of capital goods to Latin America or Europe.

EUROPE

European business is conducted with the assistance of Deltec Anval S.A., a Swiss company (Lausanne), with branch offices in London and Paris and Deltec Ibérica S.A. in Spain. Eurobond operations are handled through Deltec Trading Company Limited. These companies, with the exception of Deltec Ibérica, are wholly owned subsidiaries of Deltec International, parent of Deltec Banking.

The placement of Latin American hard-currency obligations generated by the Deltec offices in Latin America continues to be the most vital function of the Financial Group in Europe in terms of contribution to overall profit. Sales during the



Sign alongside the Ceará Road in northeastern Brazil reflects the role of Deltec Banking in financing the road's construction.



The Anglo Peruano Building in Lima. Installment sales of space in this building were financed by the Deltec Financial Group.

1969 fiscal year were \$77,348,000 as compared to \$91,808,000 in 1968.

In the large and growing Eurobond market, Deltec has consolidated its position. It has participated in nearly all of the major new issues floated in Europe. It has become recognized as one of the most active houses in the market, maintaining its position despite the difficult conditions occasioned by the decline in the New York Stock Market combined with the universal pressure on interest rates. The results in terms of profit, however, have not been satisfactory, largely owing to the conditions referred to, and the operation is under close review. We are confident that an important opportunity for profit is available in this activity.

The participation of Deltec Banking in the European money market is being expanded. Deltec Anval assists Deltec Banking in foreign exchange transactions, including swaps and money market

operations. Deltec Anval also furnishes up-to-the-minute reports on these markets to all Deltec offices and has proved most valuable to them in negotiating loans and considering other financial operations.

In addition to the foregoing, the Deltec Group has an important participation in Bank- und Handelsaktiengesellschaft (Bahag) of Zurich, a private commercial bank. Bahag provides personalized and specialized banking service of the traditional Swiss standard. Although small, it can and does provide a complete range of banking services with special emphasis on the individual needs of the client. It is expected that the activities of this bank will be further expanded and developed in order to be able to provide services of a continued high standard to a broader clientele.

LATIN AMERICA

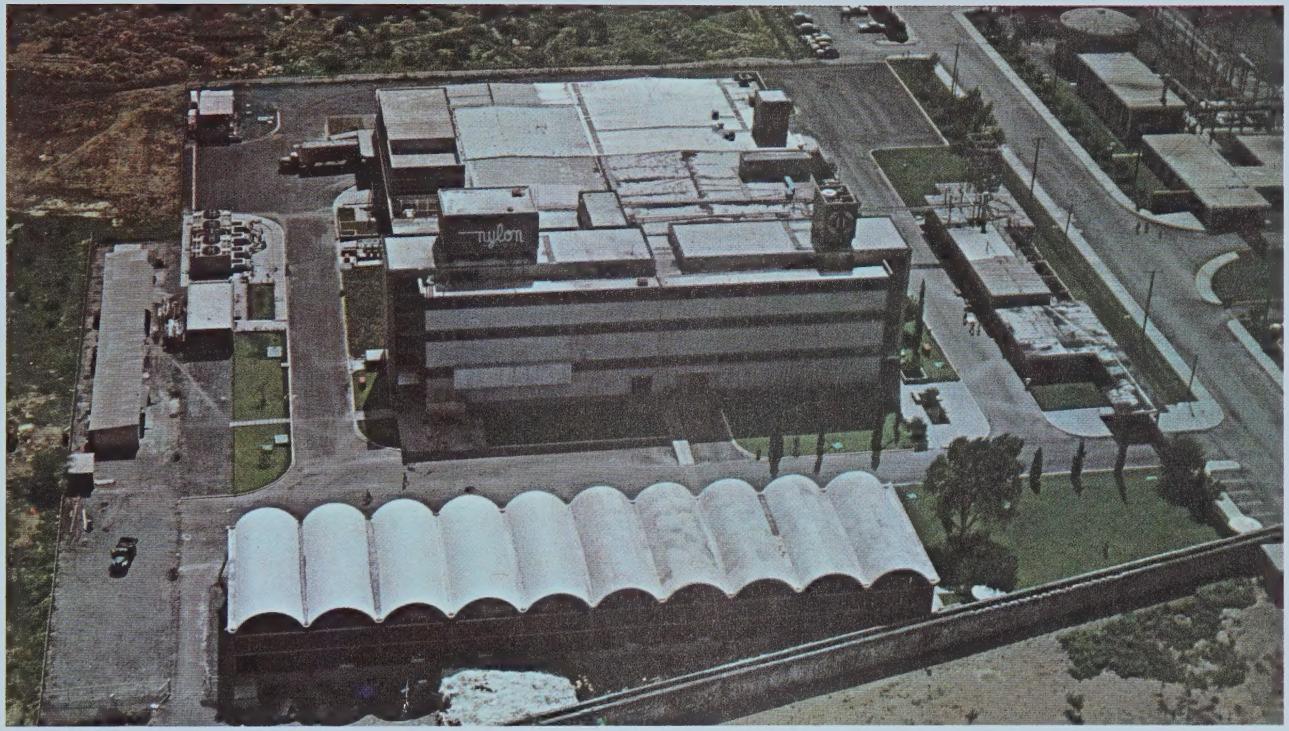
Business in Latin America is conducted for the most part through a network of Deltec International subsidiaries and affiliates located in the principal countries and which are listed beginning on page 16 of this report. Thus, Deltec Banking has representation in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. This, of course, is of inestimable value as Deltec Banking has ready access to all the information necessary to enable it to form a reasoned judgement on any and all business in which it may be interested.

The Deltec subsidiaries and affiliates referred to in the preceding paragraph not only generate hard currency loans for placement by Deltec Banking and its affiliates in U.S.A. and Europe, but also conduct a substantial business for their own account in local currency financings and, in some cases, also engage in foreign exchange transactions. Deltec Banking in turn performs certain services for these affiliates including the extension of guarantees, where required, for short term local borrowings.

THE FUTURE

At the end of the year, the share capital of Deltec Banking was increased by approximately 72% from \$13.8 to \$23.8 million largely through the acquisition by the Bank of two major financial components of the Group. This increase in capital, together with a revision of certain internal operating policies, will permit Deltec Banking to increase substantially the scope and level of its activities.

Since Deltec has become involved in the European money markets, an ever increasing



The Monterrey plant of Nylon de Mexico S.A., a company to which financing has been extended.

proportion of its borrowings are in the form of time deposits. As this trend in Deltec's activities will require increased liquidity, a department has been organized to participate in this field of taking and placing of time deposits for very short (up to seven days) as well as longer periods of time. Foreign exchange transactions are also undertaken. It is expected that money market activities will become more important as the level of deposits increases, and Deltec should be in good position to service the requirements of its partners in this area.

The projected level of our activities will not only require a substantial expansion of the volume of financing in our traditional area, and particularly in such countries as Argentina where the potential is very great, but will necessitate the penetration of new areas. Chief among these is Canada. We are confident that considerable financing can be developed there through our affiliate, Triarch Corporation. In addition, we feel that Eastern Europe may be another area where Deltec Banking

can play a role. In the United States, the tight money situation has opened up unprecedented opportunities for us in connection with offshore financings.

One interesting source of business are American or European companies which export capital goods, or undertake contracts in Latin America and which require financing. The Greek and Dominican Republic transactions originated in this fashion. Through its affiliates, Deltec Banking can work with exporters prior to making a bid and can often be of assistance to the company with respect to local conditions and problems.

Another area in which Deltec can be of assistance to American and European companies is that of investment banking. If a company wants a local partner in almost any South American country, if it wants to sell shares to the public or arrange financing, Deltec is eminently qualified. We believe as a matter of principle that if private enterprise, and in particular foreign private enterprise, is to prosper in Latin America, it must become an



Sugar mill of Ingenio La Esperanza, S.A. at Jujuy, Argentina. Shares of this company are being placed in the Argentine capital market through a company of the Deltec Financial Group.

integral part of the community in which it is located. This is accomplished primarily by bringing in nationals, both as shareholders and in management. In the long run public participation seems to be the most healthy and desirable approach.

In the final analysis, an organization is but a collection of individuals united by a common purpose. We are confident that Deltec Banking is on the threshold of unprecedented growth. We now have the capacity, and we feel the experience and skills necessary, to take advantage of the opportunities which lie before us.

DELTEC TRUST COMPANY LIMITED

Deltec Trust Company Limited (formerly Deltec Nominees Limited) is a wholly owned subsidiary of Deltec Banking and forms part of the Financial Division of the Deltec Group.

Deltec Trust has direct access to major Wall Street investment banking houses and to their research departments. Senior partners of Bear, Stearns & Co., Goldman Sachs & Co., Wertheim & Co., and Wood, Struthers & Winthrop Inc. are

members of the Board of Directors of Deltec International Limited.

In its initial stage, the Trust Company's activities were limited to providing custody services to clients investing in Latin American commercial paper generated by Deltec Banking and to managing investment portfolios on a discretionary basis. As the company's clientele increased over the years, it expanded its activities to the point where it is now performing all the services of a full fledged trust company.

Deltec Trust was incorporated in Nassau, Bahamas, in December, 1961. The Commonwealth of the Bahamas is a self-governing British Colony enjoying a special semi-independent status with its own legislature consisting of an elected House of Assembly and a Senate.

The Bahamas have become a favoured international financial center thanks to the country's economic and political stability, convenient location, and freedom from any kind of income tax, capital gains tax or inheritance tax. As a result of these auspicious conditions, individuals and companies

from many parts of the world have chosen Nassau as a place through which to channel their investments and other financial transactions.

Since 1967 the number of banks, including branches, and trust companies licensed under the Bank and Trust Companies Act of 1965 has risen from 187 to 245 as of December 1969, an increase of 31%; there are 23 more applications currently pending for bank and trust licenses.

Within this favourable framework, Deltec Trust offers its customers a full range of personal and corporate trust services, some of which are discussed below.

Portfolio Management and Investment Advisory Services

The administration of all investment accounts is handled in Nassau. All accounts are personally and individually supervised by executives of the Trust Company. Buy and sell orders originate in Nassau and in the case of U.S. securities, are transmitted to Deltec Securities trading room in New York by means of Deltec's own direct telephone line or through its private telex system.

Based on the Wall Street contacts referred to above as well as on the knowledge and experience of its own officers, Deltec Trust can provide sound and well informed advice to any investor, whether he wishes to assure mainly the preservation of his capital with a satisfactory fixed return or whether he wants aggressive portfolio management for maximum results.

Through the broad base provided by the international ramifications of the Deltec group, Deltec Trust is in a position to furnish information and advice not only on Wall Street matters but on securities and financial markets throughout the world. It can thereby assure diversification, flexibility and free movement from equities into fixed income securities or vice-versa. Liquidity is also a prime concern and any account can normally be turned into cash on 24 hours' notice.

In the field of time deposits, the direct involvement of Deltec Banking in the Euro-dollar market facilitates the obtaining of competitive interest rates for customers. Deltec Trading on the other hand supplies first hand knowledge of the Euro-dollar bond market, both for straight bonds and convertibles. Finally, a ready source of high yielding

hard currency commercial paper is Deltec Banking's short and medium term loans to Latin American and other borrowers.

Safe Custody

Through its affiliated companies Deltec Trust offers its clients custody services for securities and cash in Nassau, New York, London and Lausanne, as well as throughout Latin America.

Loan Facilities

Deltec Trust can provide loans to its clients against notes, equities or other satisfactory collateral.

Other Services

Other representative services which Deltec Trust offers in appropriate instances are:

- Establishment and administration of personal trusts
- Incorporation of Bahamian Companies and maintenance of their registered offices
- Billing and Invoicing
- Clerical and Accounting

Deltec Trust considers the "personal attention" it gives its accounts the key to successful management of investment portfolios. All accounts are handled on an individual basis according to the customer's wishes. Accounts are reviewed weekly and all policy decisions are submitted to an investment committee. Through the use of Deltec International's worldwide communications network between affiliates, communication with customers is greatly facilitated. Furthermore, Deltec Trust officers take frequent trips to maintain personal contact with clients in their countries of residence.

Fees

Investment advisory fees charged by Deltec Trust are based on the total value of the account and include complete investment management services, either on a discretionary or on an advisory basis as may be desired by the customer. They also cover safe custody and handling of any securities bought, held or sold as well as collection of dividends and interest.

THE DELTEC BANKING CORPORATION LIMITED

DIRECTORS AND OFFICERS

CLARENCE DAUPHINOT, Nassau

Director and Chairman of the Board

A. J. MERSON, Nassau

Director and President

JOSEPH G. CACIOPPO, Nassau

Director and Executive Vice President

DRAGO PAMUCINA, Nassau

Director and Executive Vice President

DAVID BEATY III, São Paulo

Director

J. P. JOICE, Nassau

Director

GODFREY W. HIGGS, C.B.E., Nassau

Director

JULIO E. NUÑEZ, London

Director

A. THOMAS TAYLOR, Chicago

Director

IAN G. ARMSTRONG, São Paulo

Vice President

ROBERT C. BICKFORD, Nassau

Vice President & Secretary

JOSEPH E. DAVIS, Nassau

Vice President & Controller

François H. DONOSO, Buenos Aires

Vice President

THEODORE KIENDL, JR., London

Vice President

CLAUS G. LABES, London

Vice President

RICHARD M. LIU, Nassau

Vice President & Treasurer

COLUMBUS O'DONNELL, Nassau

Vice President

PIERRE W. SIEGENTHALER, Nassau

Vice President

ROBERTO J. TRUJILLO, Nassau

Vice President

AGUSTIN VEGA, Mexico City

Vice President

ISAAC ZONANA, Lausanne

Vice President

DAVID BENJAMIN, Nassau

Deputy Treasurer

ERIC T. COOPER, Nassau

Assistant Controller

DEREK M. DOUGALL, Buenos Aires

Assistant Vice President

FERNANDO GARZA, Monterrey

Assistant Vice President

PATRICK GREEVEN, Nassau

Assistant Secretary

MARIO E. HALLER, Lausanne

Assistant Vice President

CALVIN B. KNOWLES, Nassau

Assistant Vice President

WILLIAM STIRLING, Nassau

Assistant Vice President

ERIK F. WEHLE, Nassau

Assistant Vice President

JEFFREY WILLIAMS, Nassau

Assistant Vice President

OSWALD B. NOTTAGE, Nassau

Administrative Officer

DELTEC INTERNATIONAL LIMITED, the Parent Company of Deltec Banking

BOARD OF DIRECTORS

A. THOMAS TAYLOR

Chairman of the Board

CLARENCE DAUPHINOT

President

DAVID BEATY III

Executive Vice President

A. OAKLEY BROOKS

Wood, Struthers & Winthrop, Inc.

PETER C. A. CARPENTER

J. Henry Schroder Banking Corporation

SIR RUPERT CLARKE

King Ranch (Aust.) Pty. Ltd., Australia

LEROY G. DENMAN, JR.

Denman, Franklin & Denman

San Antonio, Texas

LOWELL S. DILLINGHAM

Dillingham Corp., Honolulu

HERNAN ECHAVARRIA O.

Azulejos Corona Ltda., Colombia

FRANCIS L. HERBERT

Executive Vice President

ROBERT J. KLEBERG, JR.

King Ranch, Inc.

ADALBERT KRIEGER VASENA

Economist, Argentina

AGUSTIN LEGORRETA

Banco Nacional de México S.A.

GUSTAVE L. LEVY

Goldman Sachs & Co.

SALIM L. LEWIS

Bear, Stearns & Co.

A. J. MERSON

Executive Vice President

WALTHER MOREIRA SALLES

Banker, Brazil

JULIO E. NUÑEZ

Executive Vice President

WILLIAM WOOD PRINCE

F. H. Prince & Co.

JOSEPH E. RICH

Morton-Norwich Products, Inc.

VINCENT A. RODRIGUEZ

Sullivan & Cromwell, New York

MILTON STEINBACH

Wertheim & Co.

GUSTAVO J. VOLLMER

Central El Palmar S.A., Venezuela

OFFICERS

A. THOMAS TAYLOR

Chairman of the Board

CLARENCE DAUPHINOT

President

DAVID BEATY III

Executive Vice President

FRANCIS L. HERBERT

Executive Vice President

A. J. MERSON

Executive Vice President

JULIO E. NUÑEZ

Executive Vice President

M. E. BARNES

Vice President

JOSEPH G. CACIOPPO

Vice President

C. J. DRISCOLL

Vice President & Secretary

J. P. JOICE

Vice President & Controller

R. C. ZIRCHER

Vice President

RICHARD M. LIU

Treasurer

MAX A. STOLPER

General Counsel for South America

JOSEPH E. DAVIS

Assistant Controller

F. O. NEWMAN

Assistant Controller

P. G. ASGEIRSON

Assistant Treasurer

ROBERT C. BICKFORD

Assistant Secretary

H. C. POHLMANN

Assistant Secretary

THE DELTEC BANKING CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	1969	1968 (Note 1)
ASSETS		
CASH.....	\$ 5,735,173	\$ 9,488,125
TIME DEPOSITS RECEIVABLE.....	8,383,498	—
NOTES AND OTHER UNLISTED SECURITIES, held primarily for sale, at specific identification cost plus accrued interest which is not in excess of realizable value (Note 7)	34,215,239	29,115,563
LISTED TRADING SECURITIES at cost (first-in, first-out) which approximates market (Note 7)	10,777,837	9,305,876
OTHER LOANS AND ADVANCES.....	6,505,056	929,464
RECEIVABLES FROM BROKERS.....	415,825	5,787,253
OTHER INVESTMENTS, at cost less reserve of \$550,000.....	7,407,552	5,621,000
DUE FROM PARENT COMPANY (Note 3)	5,432,725	2,354,398
INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES (Note 4).....	6,352,291	1,469,766
OTHER RECEIVABLES AND PREPAYMENTS.....	6,676,005	4,001,685
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of \$146,964 and \$94,613	382,579	382,006
	<u><u>\$92,283,780</u></u>	<u><u>\$68,455,136</u></u>

September 30, 1969 and 1968

	1969	1968 (Note 1)
LIABILITIES AND SHAREHOLDER'S EQUITY		
BANK LOANS (Note 7).....	\$13,285,506	\$14,267,353
TIME DEPOSITS PAYABLE.....	37,784,549	23,239,885
CUSTOMERS' CREDIT BALANCES.....	3,663,593	3,736,153
PAYABLE TO BROKERS.....	76,553	3,718,158
TAXES ON INCOME.....	642,774	139,436
OTHER PAYABLES AND ACCRUED LIABILITIES.....	3,139,987	2,573,712
LONG-TERM DEBT (Note 5).....	4,815,350	3,901,900
MINORITY SHAREHOLDERS' EQUITY IN SUBSIDIARY.....	860,673	—
 SHAREHOLDER'S EQUITY (Notes 1, 2 and 6)		
Ordinary Shares, par value \$620 (1969) and \$580 (1968)—		
Authorized 38,500 (1969) and 25,000 (1968) shares		
Issued and outstanding 38,404 (1969) and 23,879 (1968) shares.....	23,810,480	13,849,820
Capital in excess of par value.....	246,442	330,395
Retained earnings.....	3,957,873	2,698,324
	<hr/> 28,014,795	<hr/> 16,878,539
	<hr/> \$92,283,780	<hr/> \$68,455,136

(See notes to financial statements)

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the years ended September 30, 1969 and 1968

	1969	1968 (Note 1)
INCOME:		
Interest income.....	\$4,132,473	\$3,054,467
Profit on sale of securities.....	4,430,671	3,443,541
Dividend income.....	326,863	247,570
Commissions, service charges, etc.....	643,625	1,013,316
	9,533,632	7,758,894
EXPENSE:		
Interest expense.....	3,154,590	1,929,774
Salaries.....	1,778,533	1,635,915
Administrative and selling expense.....	1,625,980	1,794,167
Exchange loss.....	152,280	95,299
Provision for losses on investments.....	350,000	500,000
Taxes on income.....	302,700	140,138
	7,364,083	6,095,293
NET INCOME FOR THE YEAR	2,169,549	1,663,601
RETAINED EARNINGS AT BEGINNING OF YEAR	2,698,324	3,434,723
DIVIDEND ON ORDINARY SHARES	4,867,873	5,098,324
RETAINED EARNINGS AT END OF YEAR	910,000	2,400,000
	\$3,957,873	\$2,698,324

(See notes to financial statements)

OPINION OF INDEPENDENT ACCOUNTANTS

*To the Board of Directors and Shareholder of
The Deltec Banking Corporation Limited:*

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings present fairly the financial position of The Deltec Banking Corporation Limited and its subsidiaries at September 30, 1969 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of The Deltec Banking Corporation Limited and the pooled companies for the year 1968 were examined by other independent accountants.

December 5, 1969
NEW YORK, NEW YORK

PRICE WATERHOUSE & Co.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. PRINCIPLES OF CONSOLIDATION

The Deltec Banking Corporation Limited (a Bahamas company and wholly-owned subsidiary of Deltec International Limited) acquired three Brazilian finance subsidiaries and Deltec Trust Company Limited from its parent effective September 30, 1969. These acquisitions are being accounted for on a pooling of interests basis and accordingly the 1968 financial statements have been restated. Effective September 30, 1969, the Company purchased from its parent all of the ordinary shares outstanding of Leach's Argentine Estates Limited.

The consolidated financial statements include all majority owned subsidiaries except a controlling interest in a Brazilian sugar company which is held for resale, and accordingly is included in other investments.

NOTE 2. PRINCIPLES OF TRANSLATION OF CURRENCIES INTO U.S. DOLLARS

The accounts of the Company and its subsidiaries, with the exception of the Brazilian finance subsidiaries, are maintained in U.S. Dollars. The accounts of the Brazilian finance subsidiaries have been translated to U.S. Dollars on the following bases:

Net assets—generally at year-end exchange rates.

Individual items of income and expense—generally at the average rate of exchange prevailing during the year.

Exchange gains or losses, including those arising from translation of assets at year-end, have been included in consolidated net income.

Approximately 80% and 15% of consolidated net income for the year ended September 30, 1969 and September 30, 1968, respectively, represents earnings of the Brazilian finance subsidiaries.

NOTE 3. DUE FROM PARENT COMPANY

This debt at September 30, 1969, represents the amount owed in connection with the sale in 1969 by a subsidiary of the Company to a subsidiary of Deltec International Limited of shares of Ingenio La Esperanza S.A.

NOTE 4. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to affiliated companies consist of:

	September 30,	
	1969	1968
Investments in associated companies at cost	\$ 1,373,816	\$ 574,303
Advances to associated companies	197,375	581,176
Advances to subsidiaries of Deltec International Limited	4,781,100	314,287
	<u>\$6,352,291</u>	<u>\$1,469,766</u>

Included in the total of \$4,781,100 is an amount of \$2,327,514 representing short term commercial paper held by a financial subsidiary against loans made to prime industrial borrowers. The remainder primarily represents advances to other financial subsidiaries of Deltec International Limited in connection with their investments in real estate and other property held for resale.

NOTE 5. LONG-TERM DEBT

Long-term debt outstanding is as follows:

	September 30,	
	1969	1968
7½% Notes due in semi-annual installments from 1970 through 1971 (including \$1,300,633 due within one year).....	\$3,901,900	\$3,901,900
7½% Notes due in annual installments from 1970 through 1972 (including \$304,450 due within one year).....	913,450	—
TOTAL.....	<u>\$4,815,350</u>	<u>\$3,901,900</u>

NOTE 6. SHARE CAPITAL AND CAPITAL IN EXCESS OF PAR VALUE

The shareholder of the Company approved an increase in the authorized share capital as of September 30, 1969 from 25,000 shares to 38,500 shares and an increase in the par value of such shares from B\$ 591.83 (U.S. \$580) to B\$ 632.65 (U.S. \$620) per share.

Changes in capital in excess of par value during the years ended September 30, 1969 and 1968 are shown below:

	1969	1968
Balance at beginning of year as restated (Note 1).....	\$ 330,395	\$2,751,095
Excess of proceeds over par value of ordinary shares issued (1969— 14,525 shares, 1968—10,890 shares)	1,452,207	4,743,000
	<u>1,782,602</u>	<u>7,494,095</u>
Less—Capital in excess of par value transferred to share capital in connection with increase in par value per share.....	1,536,160	7,163,700
Balance at end of year	<u>\$ 246,442</u>	<u>\$ 330,395</u>

NOTE 7. BANK LOAN COLLATERAL

The following assets in the amounts indicated were pledged as collateral for bank loans:

	September 30,	
	1969	1968
Notes and other unlisted securities	\$11,853,058	\$13,696,326
Listed trading securities	1,222,465	520,720
	<u>\$13,075,523</u>	<u>\$14,217,046</u>

NOTE 8. CONTINGENCIES

At September 30, 1969 the Company had guaranteed obligations of affiliated companies and others and was contingently liable in the amount of \$3,104,066. In the opinion of management, the Company will incur no liability as a result of these guarantees.

THE DELTEC FINANCIAL GROUP

Companies Affiliated with The Deltec Banking Corporation Limited BAHAMAS:

DELTEC TRADING COMPANY LIMITED

*Deltec House
Cumberland & Marlborough Streets
P. M. B. 29
Nassau, Bahamas*

*Cable: DELTRAD
Tel.: 2-8733
Telex: NS 101*

BOARD OF DIRECTORS

CLARENCE DAUPHINOT
President, Deltec International Limited
DAVID BEATY III
Executive Vice President
Deltec International Limited
JULIO E. NUÑEZ
President of the Company
Executive Vice President
Deltec International Limited
JOSEPH G. CACIOPPO
Vice President, Deltec International Limited

OFFICERS

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President
ROBERTO J. TRUJILLO
Executive Vice President
JOHN BACHOFEN VON ECHT
Vice President
CALVIN B. KNOWLES
Vice President
RICHARD M. LIU
Treasurer
ROBERT C. BICKFORD
Secretary
JOSEPH E. DAVIS
Controller

DAVID N. BENJAMIN
Deputy Treasurer
GEORGE ANASTASI
Assistant Vice President
WILLIAM EDWARDS
Assistant Vice President
MICHAEL A. SCOTCHER
Assistant Vice President
PIERRE A. TREZZINI
Assistant Vice President
JAMES VALENTINE
Assistant Controller
VALERIE PERRITON
Assistant Secretary

DELTEC TRUST COMPANY LIMITED

*Deltec House
Cumberland & Marlborough Streets
P. M. B. 29
Nassau, Bahamas*

*Cable: DELTRUST
Tel.: 2-8733
Telex: NS 101*

BOARD OF DIRECTORS

CLARENCE DAUPHINOT
President, Deltec International Limited
JOSEPH G. CACIOPPO
Vice President, Deltec International Limited
A. J. MERSON
Executive Vice President
Deltec International Limited
ROBERTO J. TRUJILLO
President of the Company

OFFICERS

ROBERTO J. TRUJILLO
President
KAROL M. CZARTORYSKI
Vice President
PATRICK GREEVEN
Vice President & Secretary
CALVIN B. KNOWLES
Vice President

PIERRE W. SIEGENTHALER
Vice President
ERIC T. COOPER
Treasurer & Controller
KATHERINE GRANGER
Assistant Vice President

ARGENTINA:

ARGENTARIA S.A. DE FINANZAS

*Cangallo 564
Buenos Aires, Argentina*

*Cable: "ARGENTARIA"
Tel.: 33-8212/7
Telex: 121122 AR ARTEX*

DIRECTORIO

JULIO GONZALEZ DEL SOLAR
Presidente
Director de Hidronor S.A.
FRANÇOIS H. DONOSO
Gerente General
JUAN M. ALLENDE
Socio del Estudio Allende & Brea

CLARENCE DAUPHINOT
Presidente de Deltec International Limited
RAUL N. DEL SEL
Director de Selsa S.A.
RAFORD W. HERBERT
Presidente de Cia. Swift de la Plata S.A.
Frigorifica

ENRIQUE HOLMBERG
Director General
Ingenio La Esperanza S.A.
JULIO E. NUÑEZ
Vice-Presidente Ejecutivo de Deltec
International Limited
JOSE A. PAVON
Presidente de Frigorifico Armour
de la Plata S.A.

CHILE:

FINANCIERA DELTEC CHILE S.A.

*Agustinas 1235
Casilla 14220
Santiago 15, Chile*

*Cable: "DELTEC"
Tel.: 711431*

DIRECTORIO

CARLOS URENDA Z.
Presidente

DAVID BEATY III
Vice Presidente Ejecutivo
Deltec International Limited

HECTOR BRAUN G.
Director del Banco de Chile

CLARENCE DAUPHINOT
Presidente, Deltec International Limited

JULIO E. NUÑEZ
Vice Presidente Ejecutivo Deltec
International Limited

FERNANDO MARDONES R.
Vice Presidente Ejecutivo, Sociedad
Química y Minera de Chile S. A.

EDUARDO DE SOLMINIHAC K.

Director, Asociación de Bancos de la
República de Chile

MANUEL MARDONES
Director

Empresas Industriales El Melón S.A.
CARLOS LEAY
Gerente

COLOMBIA:

INVERSIONES DELTEC S.A.

*Carrera 7a. No. 29-34
Apartado Aéreo 13538
Bogotá, Colombia*

*Cables: "DELCOL"
Tel.: 45-60-11
Telex: Bogotá 44-679*

JUNTA DIRECTIVA

DAVID BEATY III
Executive Vice-President
Deltec International Limited

JORGE P. CARDENAS
Socio de la firma Cárdenas & Cárdenas

JOSE GOMEZ PINZON
Presidente Cuellar, Serrano, Gomez & Cia.

GOETZ PFIEL-SCHNEIDER
Director Banco del Comercio

HERNAN ECHAVARRIA O.
Director de Deltec International Limited
Presidente de Azulejos Corona Limitada

LUCIANO ROJAS BAQUERO
Gerente-Director Suplente

FRANCIS J. NOVITSKI
Director-Gerente

ALBERTO SAMPER G.

JULIO MARIO SANTO DOMINGO
Presidente de Compañía Colombiana
de Industrias

FUNCIONARIOS

FRANCIS J. NOVITSKI
Gerente-Director

LUCIANO ROJAS BAQUERO
Gerente

EDUARDO MICHELSSEN C.
Director-Asistente

PERU:

DELTEC PERU S.A.

*Azángaro 450
Apartado 4077
Lima, Perú*

*Cable: "DEFSCO"
Tel.: 273107
Telex: PX 5278*

DIRECTORIO

MAX A. STOLPER
Presidente del Directorio

CLAUDE WARD
Vice-Presidente

JAIME BUSTAMANTE ROMERO
Socio del Estudio Romero
EDUARDO RONALDS D.
Director Ejecutivo

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CLAUDE WARD
Vice-Presidente

JAIME MURILLO
Tesorero

GONZALO GARLAND
Secretario

JORGE GARCIA
Contralor

VENEZUELA:

DELTEC VENEZUELA C.A.

*Torre Phelps, Piso 11
Plaza Venezuela
Caracas, Venezuela*

*Cables: "DELVEN"
Tel.: 54-80-20
Telex: 22851 DELTEC*

JUNTA DIRECTIVA

FRANCIS J. NOVITSKI
Presidente de la Compañía
CLARENCE DAUPHINOT
Presidente, Deltec International Limited

LUIS IGNACIO MENDOZA
Socio, Rodríguez y Mendoza
ARTURO SOSA, HIJO
Presidente, Finalven S. A.

JOAQUIN DE POMBO
Vice-Presidente, Director Suplente
MANUEL ANTONIO PULIDO
Vice-Presidente, Director Suplente

URUGUAY:

FINANCIERA DELTEC URUGUAY S.A.

Rincon No. 487
Montevideo, Uruguay

Tel.: 84125
Telex: 756 GUYERMAX CX

EUROPE:

DELTEC ANVAL S.A.

4 Coleman Street
London EC2., England
Cable: DELANVAL LDNEC2
Tel.: 01-628-0331
Telex: 22162 (DELANVAL LND)

10, Avenue de la Gare
Lausanne, Suisse
Cable: DELANVAL
Tel.: 22-17-41
Telex: 24586

18-20 Place de la Madeleine
Paris 8, France
Cable: DELANVAL
Tel.: 073-0476
Telex: 21031 DELANVAL

CONSEIL D'ADMINISTRATION

JULIO E. NUÑEZ
Président
ERIC BAUDAT
Juriste, Fides Union Fiduciaire
JEAN COIGNY
Directeur, Fides Union Fiduciaire
et Peat, Marwick & Fides S.A.

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Directeur

DELTEC IBERICA S.A.

Juan Ramón Jimenez 47
Madrid, Spain

Cable: "DELTIBERICA"
Tel.: 250-30-12
Telex: 27705

CONSEJO DE ADMINISTRACION

MANUEL PRADO Y COLON DE CARVAJAL
Presidente de la Compañía
EDUARDO SAINZ DE VICUÑA
Presidente, Compañía Española
de Inmuebles
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Presidente,
Deltec International Limited

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Socio, Bufete Vega Penichet
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Vice-Presidente Ejecutivo
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JEAN SOUBLIN
Director-Gerente de la Compañía

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MANUEL PRADO Y COLON DE CARVAJAL
Presidente
JEAN SOUBLIN
Director-Gerente
S.A.R. DON CARLOS DE BORBON Y
BORBON, DUQUE DE CALABRIA
Asistente al Presidente

UNITED STATES:

DELTEC SECURITIES CORPORATION

37 Wall Street
New York, N.Y. 10005

Cable: DELTSECUR—Tel.: (212) WH4-2400
Telex Code & No.: ITT:—420577 DSEC UI; RCA:—
222435 DESEC UR:WU:—12-5559 DELTSECUR NYK

BOARD OF DIRECTORS

STANLEY L. ROGGENBURG
Chairman of the Board
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Senior Vice President and Treasurer
HENRY H. PATTON

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Assistant Vice President
HUGO ZAMORANO
Assistant Vice President
JOAN M. BREIG
Secretary
VINCENT CARRODEGUAS
Controller

CANADA: TRIARCH CORPORATION LIMITED

*Richmond Adelaide Centre, Suite 1120,
120 Adelaide Street West, Toronto 1101,
Ontario, Canada.*

BOARD OF DIRECTORS

HON. J. B. AIRD, Q.C.
Partner, Edison, Aird and Berlis
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President, Iron Ore Company of Canada
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Partner, Kuhn Loeb and Company
HON. GEORGE H. HEES, P.C., M.P.
Director, Industrial Life Insurance Company

*Cable: TRIARCO
Tel.: (416) 364-2271*

LAWRENCE HYNES, Q.C.
Partner, Fraser & Beatty
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Executive Vice President of the Company
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Business, York University
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OFFICERS

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Assistant Secretary

Companies Associated with The Deltec Banking Corporation Limited

BRAZIL:

BANCO DE INVESTIMENTO DO BRASIL, S.A.

ADMINISTRATION

*Avenida Rio Branco 147, 11th
Caixa Postal 1309-ZC-00
Rio de Janeiro, Brasil*

*Cable: "BANKBIB"
Tel.: 222-5115
Telex: BANKBIB RIO 31-666*

ADMINISTRATION

*Rua Direita 250, 27th
Caixa Postal 4778
São Paulo, Brasil*
*Cable: "BANKBIB"
Tel.: 37-6061
Telex: BANKBIB SPO DCT 021-528*

SALES

*Rua Libero Badaró 293, 6th
Caixa Postal 4778
São Paulo, Brasil*
*Cable: "BANKBIB"
Tel.: 37-6061
Telex: BANKBIB SPO DCT 021-528*

CONSELHO DE ADMINISTRAÇÃO

WALTHER MOREIRA SALLES
Presidente
MARCÍLIO MARQUÉS MOREIRA
Vice Presidente da Companhia
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Diretor Presidente Rhodia
Industrias Quimicas Extexteis S.A.
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Advogado
José BRAZ VENTURA
Diretor Superintendente
Credibas-Financeira do Brasil, S.A.

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Diretor Executivo
TOMÁS ZINNER
Diretor Executivo
SERGIO AUGUSTO RIBEIRO
Diretor Executivo

MEXICO:

BANCO DE LA CIUDAD DE MEXICO, S.A.

Paseo de la Reforma 364
Mexico 6, D.F., Mexico

Cable: "PANDELTEC"
Tel.: 5-11-96-60
Telex } "BANDELMEX"
Code & }
No.:] 017-72-489

CONSEJO DE ADMINISTRACION

EDUARDO VILLASEÑOR
Presidente del Consejo
JAVIER BUSTOS
Vice-Presidente del Consejo
Diretor, Banco Nacional de México
CLARENCE DAUPHINOT
Vice-Presidente del Consejo
Presidente, Deltec International Limited
LIC. JESS N. DALTON
Socio, Goodrich, Dalton, Little & Riquelme
ANTONIO RUIZ GALINDO, JR.
Sub-Director, D. M. Nacional S.A.
CADOGAN A. GORDON
Senior Vice President, Bank of London
& South America Limited

AGUSTIN VEGA
Diretor General de la Compañía
ALBERTO WATTY
Diretor, Crédito Bursátil, S.A.

FUNCIONARIOS

AGUSTIN VEGA
Director General
JAVIER ARRANGOIZ
Gerente Administrativo
RENE BOLIVAR
Gerente de Valores y Promoción
LIC. RUBEN QUIROZ
Gerente de Fideicomisos
LIC. FRANCISCO WILLY
Gerente de Operaciones Internacionales

ARRENDADORA DE MEXICO S.A.

Paseo de la Reforma 364
Mexico 6, D.F., Mexico
CARLOS L. MARTINEZ
Gerente General

Cable: "PANDELTEC"
Tel.: 5-11-96-60
Telex } BANDELMEX
Code & }
No.:] 017-72-489

EUROPE:

BANK - UND HANDELSAKTIENGESELLSCHAFT ("BAHAG")

Stampfenbachstrasse 7, P.O. Box 483,
8021 Zurich, Switzerland

Cable: BAHAG
Tel.: 47-95-00
Telex: 52-197

Société d'Investissement

LE FONDS DELTEC POUR L'AMERIQUE LATINE

14, rue Aldringer, Luxembourg

CONSEIL D'ADMINISTRATION

CLARENCE DAUPHINOT
Chairman of the Board
President, Deltec International Limited
ETTORE BOTTONI
General Manager, Banque Française et
Italienne pour l'Amérique du Sud
JAVIER BUSTOS
Director Banco Nacional de México
HERNAN ECHAVARRIA O.
President, Azulejos Corona Ltda.

AGUSTIN EDWARDS E.
President, Banco de A. Edwards & Cia.
GILBERTO HUBER
President, Listas Telefônicas Brasileiras
S.A.
JULIO E. NUÑEZ
Executive Vice President, Deltec
International Limited
JEAN DE SAILLY
Manager, Banque de l'Indochine

UNITED STATES:

PUERTO RICAN INVESTORS FUND, INC.

Banco Popular de Puerto Rico
Hato Rey, Puerto Rico 00911

BOARD OF DIRECTORS

JORGE J. BOSCH
President, Bacardi Corporation
RAFAEL CARRION, JR.
Chairman and President,
Banco Popular de Puerto Rico

CLARENCE DAUPHINOT
President, Deltec International Limited
HENRY C. REXACH
Chairman, Rexach Construction Co. Inc.

ARTURO Sosa
President, Finalven S.A.

FELIPE THORNDIKE B.
Director, Compañía Petrolera Lobitos
S.A.

ANDREW Walker
Manager, Investment Department
Bank of London & South America Limited

ALPHONSE WEICKER
President and Managing Director
Banque Générale du Luxembourg

